

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON YOU MAY REMOVE OR STRIKE ANY OF THE FOLLOWING INFORMATION FROM THIS INSTRUMENT BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVERS LICENSE NUMBER.

**OIL AND GAS LEASE**

This Agreement ("Lease") made this 9th day of OCTOBER, 2008, between **Joe Edwin McAnally, a married man dealing in his sole and separate property**, (herein "Lessor," whether one or more) whose address is 2400 FM Road 3028, Millsap, TX 76006; and **DDJET Limited LLP**, as Lessee, whose address is 222 Benmar, Houston, Texas 77060.

1. Lessor, in consideration of One and no/100 Dollar (\$1.00) and other good and valuable consideration in hand paid, the royalties herein provided, and the agreements of Lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, conducting seismic operations, exploring, drilling for and producing oil and gas (including any other liquid and gaseous hydrocarbons), and engaging in any activity reasonably necessary to produce, save, take care of, treat, transport, and own oil and gas, the land in Tarrant County, Texas, described below, or in Exhibit "A" attached hereto, herein referred to as "Lease Premises," or "Land," to wit:

**See attached Exhibit "A" for Land Description**

This Lease also covers and includes all Land owned, claimed or hereafter acquired by Lessor adjacent or contiguous to the Land particularly described above, although not included within the boundaries of the Land particularly described. For all purposes of calculating any payments hereunder, the above-described Land (the "Lease Premises") shall be treated as comprising «GROSS\_ACRES» acres, whether actually containing more or less. From time to time, Lessee may determine that all, or some part, of the Lease Premises should be more specifically described, and in such event, Lessor agrees to execute any substitute Lease, or correction instrument, necessary to properly describe and identify the Lease Premises. This Lease includes those lands described in the Lease and any small strip, including but not limited to roads, highways, and alleys, of land owned or claimed by Lessor that is adjacent, contiguous or adjoining to the Lease Premises, although not included within the boundaries of the land particularly described above. If any additional acreage is included in this Lease, then bonus and royalties shall be calculated and paid as to said additional acreage on the same terms as it is calculated and paid for the land specifically described above.

**2. Lease Term.**

**(a) Primary Term.**

This Lease shall remain in force and effect for a term of three (3) years from the Effective Date set out above (hereinafter called "Primary Term"), and as long thereafter as oil and/or gas is produced in paying quantities from the Lease Premises or lands pooled therewith. The provisions hereof as to the rights of Lessor and Lessee at the end of such Primary Term shall not have the affect of relieving Lessee of its obligations to develop the Lease in good faith and as a reasonably prudent operator after oil or gas is first discovered in paying quantities. If at the end of the Primary Term, or at any time thereafter, this Lease is not otherwise being maintained in force and effect, but Lessee is then engaged in actual drilling, reworking or any other operations reasonably calculated to obtain or restore production therefrom in good faith and using best efforts, this Lease shall remain in force so long as any one or more of such operations are prosecuted with no interruption of more than sixty (60) consecutive days, and if any such operations result in the production of oil or gas or other substances covered hereby, as long thereafter as oil and/or gas is produced in paying quantities from the Lease Premises or lands pooled therewith. For the purposes of this Paragraph, "operations" are defined as any of the following: actual drilling into the surface of the earth (with a drilling rig and machinery capable of drilling to a depth sufficient to test a prospective oil or gas horizon), testing, completing, fracing, reworking, recompleting, deepening, plugging back, or repairing of a well with equipment capable of performing such work in search of or in the endeavor to obtain, maintain, re-establish or enhance production of oil or gas. For purposes hereof, "paying quantities" is defined as revenue from the sale of production from a well sufficient to return a profit, after deduction of royalties, overriding royalties and production taxes, over and above all direct operating costs, excluding capital costs or district office overhead not directly attributable to

the Lease Premises or lands pooled therewith, for any consecutive twelve (12) month period.

**(b) Shut-In Well.**

If, at the end of the Primary Term, or at any time or times thereafter, there is located on the Lease Premises, or on land pooled therewith, a well capable of producing oil or gas in paying quantities, but the oil or gas is not being sold due to lack of market or Force Majeure, and this Lease is not being otherwise maintained in force, this Lease shall not terminate and it shall nonetheless be considered that oil or gas is being produced in paying quantities from the Lease Premises. Lessee shall, no later than Ninety (90) days after the date the well is shut-in or the Lease is not otherwise maintained, whichever is later, pay or tender by check or draft of Lessee to Lessor's depository set forth below or mailed via U.S. Mail in a stamped envelope to the Lessor at the last address known to Lessee, as royalty, a sum of One Hundred (\$100.00) Dollars per net acre per annum. Subsequent payments of shut-in royalty will be due annually thereafter (if this Lease is not being otherwise maintained in force) on the anniversary date of the period for which the prior payment was made. If a depository is not designated below then such payment may be mailed on or before the due date of payment to Lessor at Lessor's address set forth above or to the last known address provided in writing to Lessee by Lessor. Lessee's failure to properly or timely pay or tender any such sum as royalty shall render Lessee liable for the amount due but it shall not operate to terminate this Lease. Notwithstanding anything to the contrary, Lessee may from time to time withhold and accumulate such payments payable to Lessor until the first of the calendar month following the accumulation of Twenty-Five and no/100 Dollars (\$25.00) when payment shall be made as above provided. Upon proper and timely payment or tender of royalty under this paragraph, it will be considered that gas is being produced under Paragraph 2(a) of this Lease.

Lessor hereby designates  
BANK OF TEXAS in FORT WORTH, TX. as the agent and depository for all shut-in royalties payable to the depository under the Lease, which agent and depository and its successors shall be Lessor's agent and shall continue as depository for all such sums which Lessee may pay hereunder regardless of changes in ownership of royalties. If such agent and depository (or any successor) should fail, liquidate or be succeeded by another agent and depository or for any reason fail or refuse to accept payment, Lessee shall not be held in default for failure to make such payment or tender until Sixty (60) days after Lessor shall deliver to Lessee a proper recordable instrument naming another agent to receive such payments or tenders. The Lease may not be maintained in force by the payment of shut-in royalty for more than Two (2) years, or separate periods aggregating Two (2) years, after the end of the Primary Term.

**3. Oil & Gas Only.**

There is excepted from this Lease and reserved to Lessor, its heirs and/or assigns, all minerals and materials other than oil, gas and other liquid or gaseous hydrocarbons and their constituent parts. Specifically, but without limitation, this Lease does not cover sand, gravel, rock, caliche, coal, vanadium, uranium, thorium, fissionable mineral and minerals, coal, lignite, iron, iron ore, sulphur which is not produced in conjunction with oil, gas or other hydrocarbons, and it is understood and agreed that the words "mineral", "minerals", "other mineral" and/or "other minerals" whenever and wherever used in this Lease, shall only refer to and shall include royalty paid on all oil and gas, including but not limited to all hydrocarbons produced in liquid form at the mouth of the well and all condensate, natural gasoline, butanes, propanes, helium, kerosene, distillate, and other liquid hydrocarbons recovered from oil or gas by conventional separation equipment and flared or vented gas, casinghead gas and the byproducts thereof that are capable of passing through a wellhead, and other liquid or gaseous hydrocarbons and their constituent parts, including sulphur produced in conjunction with oil or gas.

**4. Production Royalty.**

Lessee shall pay Lessor a royalty of Twenty Five Percent (25%) as follows:

- (a) On oil, which includes all hydrocarbons produced in liquid form at the mouth of the well and all condensate, distillate and other liquid hydrocarbons recovered

from oil or gas by conventional separation equipment, twenty-five percent (25%) of the value of the gross production, said value to be based on all consideration received by Lessee, including any premium paid therefore; provided that if Lessee sells such oil to an affiliate of Lessee, the value upon which Lessor's royalty is to be paid shall be based upon the value which would have been received if such sale had been made to the affiliate by an unaffiliated third party in a good faith sale. Notwithstanding the foregoing, if the proceeds received by Lessee for such production have been reduced for marketing, the amount of all such reductions shall be added to such proceeds to determine the value upon which royalty is to be paid to Lessor, it being the intent of Lessor and Lessee that Lessor's royalty shall not be chargeable directly or indirectly with any of such expenses. An "affiliate" of an entity (the "Entity") as used in this Lease is a corporation, firm or other entity in which such Entity, or any parent company, subsidiary or affiliate of such Entity, owns a greater interest than five percent (5%), whether by stock ownership or otherwise, or over which such Entity or any parent company, subsidiary or affiliate of such Entity, exercises any degree of control, directly or indirectly, by ownership, interlocking officers, directorate or in any other manner, and any corporation, firm or other entity which owns a greater interest than five percent (5%) in such Entity, whether by stock ownership or otherwise, or which exercises any control, directly or indirectly over such Entity, by stock ownership, interlocking officers or directorate or any other manner.

- (b) On gas that is not processed in a gas plant, Lessor shall be entitled to a royalty of twenty-five percent (25%) of the market value of such gas.
- (c) On gas processed in a gas plant, Lessor shall be entitled to a royalty of twenty-five percent (25%) of the market value of all liquids processed, extracted and sold therefrom and twenty-five percent (25%) of the market value of all residue gas remaining after processing or extraction, if such residue gas is sold.
- (d) This Lease is intended to cover oil and gas as set forth in Paragraph 3, but it is contemplated that some sulphur may be produced necessarily with and incidental to the production of oil and gas from the Lease Premises, and, in such event, this Lease shall also cover such sulphur so produced; and on all such sulphur so produced under and by virtue of the terms of this Lease, Lessor shall have and be entitled to a royalty of twenty-five percent (25%) of all such sulphur so produced and saved, same to be delivered to Lessor as royalty, free of all costs, or, at Lessee's election, such sulphur royalty shall be sold by Lessee with Lessee's portion of such sulphur produced and saved from said land, and at the same prices received from Lessee's portion of such sulphur produced and saved from said land.
- (e) For purposes of this Paragraph, the term "market value" shall mean the amount received by Lessee or Lessee's affiliate from the point of sale to the first non-affiliated third party. In the case of gas used by Lessee but not sold, the market value of such gas shall be determined with reference to gas sold by Lessee or its affiliate during the period in question. Notwithstanding any other provision to the contrary, Lessor's royalty shall never bear, directly or indirectly, any part of the costs or expenses of producing, gathering, dehydrating, compressing, transporting, manufacturing, processing, treating or marketing of the oil, gas or other substances produced from the Lease Premises or lands pooled therewith, nor any part of the costs of constructing, operating or depreciating any plant or other facilities or equipment for processing or treating oil, gas or other substances produced from the Lease Premises or lands pooled therewith, nor any part of the costs of constructing, treating or other substances produced from the Lease Premises or lands pooled therewith. Should a court determine that the term "market value" require the deduction of costs incurred prior to the first sale to a non-affiliated third party, then Lessor's royalty percentage of such post production costs shall be paid to Lessor as royalty.
- (f) In no event shall the royalty be based on less than the amount paid to Lessee. Furthermore, Lessor's royalty share on gas will be paid on any consideration paid to Lessee under any gas sales contract including, but not limited to, take-or-pay payment and payments received in connection with any gas contract termination or modification.

- (g) Lessor shall be responsible for and shall bear Lessor's share of all ad valorem and severance taxes.
- (h) If Lessee obtains production of oil or gas from the Lease Premises, or land pooled therewith, Lessee agrees to disburse Lessor's royalty to Lessor not later than the last day of the month following the month that payment is received by Lessee from the sale thereof; provided however, Lessee may accumulate funds payable to Lessor for up to Twelve (12) months if the total amount is Twenty-Five and no/100 Dollars (\$25.00) or less. Lessee at its option may discharge any tax, mortgage or other lien upon the Lease Premises, and in the event Lessee does so, Lessee shall be subrogated to the lien with the right to satisfy same out of royalties accruing hereunder. If Lessee fails to pay or make timely distribution of proceeds from the sale of production that have been suspended without cause or not paid to Lessor within the time period specified herein Lessor shall be entitled to recover interest on any amounts due at the statutory rate set forth in the Texas Natural Resources Code §§ 91.401 through 91.405.

## 5. Pooling Rights.

Lessee shall have the right but not the obligation to pool, all, and not a portion only (unless Lessor consents otherwise in writing), of the Lease Premises with other adjoining land, or lease(s), into one pooled unit for a horizontal well (or wells) containing no more than 160 acres or for any other oil well (or wells) containing no more than 80 ("pooled unit(s)"). Provided, however, that should governmental authority having jurisdiction prescribe the creation of units larger than those specified, units thereafter created may conform substantially in size with those prescribed by governmental regulations. Notwithstanding anything to the contrary stated herein, a unit for a horizontal well may, at Lessee's option, include (i) the amount of acreage allowed for obtaining a permit to drill a well under the spacing and density provisions in the applicable field or statewide rules for a vertical wellbore, plus the additional acreage listed in the tables in the Railroad Commission of Texas Rule 86 (density greater than 40 acres), or (ii) the amount of acreage allowed for obtaining a full production allowable under the applicable field or statewide rules for a vertical wellbore, plus the additional acreage listed in the tables in the Railroad Commission of Texas Rule 86 (density greater than 40 acres). Lessee shall exercise such right to pool by executing an instrument identifying any pooled unit(s) and filing it for record in the public office in which a Memorandum of this Lease is recorded and provide a copy thereof to Lessor. If operations are being conducted for drilling on or production of oil or gas from any part of any pooled unit(s), such operations or production shall be considered as operations for drilling on or production of oil and gas from the Lease Premises. For the purpose of computing the royalties to which Lessor shall be entitled on production of oil and gas from a pooled unit, there shall be allocated to the Lease Premises (or to each separate tract within the unit if this Lease covers separate tracts within the unit) that pro rata portion of the oil and gas produced from the pooled unit which the number of surface acres of the Lease Premises included in the pooled unit bears to the total number of surface acres included in the pooled unit. Such allocation shall be on an acreage basis—that is to say, there shall be allocated to the pooled unit (or to each separate tract within the unit) that pro rata portion of all of the oil and gas, or either of them, produced from the pooled unit which the number of surface acres covered by this Lease (or in such separate tract) and included in the pooled unit bears to the total number of acres in the pooled unit. Pooling hereunder shall not constitute a cross-conveyance of interests. In the event this Lease, or any part thereof, covers separate tracts, no communitization of royalty interests as between any such tracts is intended or shall result from the inclusion of such separate tracts within this Lease but Lessee shall nevertheless have the right and authority to pool or unitize the Lease Premises as provided in the pooling or other such provisions contained in this Lease. As used in this Paragraph, the term "separate tract" means any tract with royalty ownership differing, now or hereafter, either as to parties or amounts, from that as to any other part of the Lease Premises. As used in this Lease, the term "lands pooled therewith" shall mean lands pooled strictly in accordance with this Paragraph.

## 6. Pugh Clause; Retained Acreage.

- (a) At the end of the Primary Term, if this Lease is still in force and effect, unless maintained in effect by other terms of this Lease, then this Lease shall expire and terminate as to all parts, lands and depths of the Lease Premises that are not within a pooled unit (provided that such unit shall be subject to the restrictions on unit size set forth in Paragraph 5 above) formed around a producing oil or gas well, and with respect to each pooled unit this Lease shall expire and terminate as to all depths below

the stratigraphic equivalent of one hundred (100) feet below the base of the deepest formation then producing from such well or wells.

- (c) As to each such producing unit or pooled unit, this Lease shall continue in force so long as oil and gas, or either of them, is produced from each respective producing unit or pooled unit in paying quantities, on a unit by unit basis.
- (d) For the purpose of the foregoing, the terms "oil well" and "gas well" shall have the meanings prescribed and/or permitted by the Texas Railroad Commission (TRC), or, if no definition is so prescribed and/or permitted, "oil well" means a well with an initial gas oil ratio of 100,000 cubic feet or less of natural gas per barrel of oil and "gas well" means a well with an initial gas oil ratio of more than 100,000 cubic feet of natural gas or more per barrel of oil, based upon a 24-hour production test conducted under normal producing conditions using standard lease separator facilities or equivalent testing equipment. The term "horizontal completion" or "horizontal well" means a well in which the horizontal displacement of the gross completion interval exceeds the minimum distance prescribed and/or permitted by TRC Statewide Rule 86. A written designation of each producing unit signed by Lessee shall be filed for record in the office of the County Clerk of Tarrant County, Texas within sixty (60) days after the end of the Primary Term or at the end of any continuous drilling operations, whichever is later.
- (e) From and after the expiration of the Primary Term, any portion of the Lease Premises and applicable depths assigned to a producing unit as described above or to a pooled unit shall be considered as covered by a separate and distinct oil and gas lease containing the same terms and provisions of this Lease so that thereafter each separate lease can be kept in force and effect only by the production of oil and gas, or either of them, from a producing unit or pooled unit in commercially paying quantities, without regard to operations upon other portions of the Lease Premises retained by Lessee under the terms hereof. This provision shall not have the effect of relieving Lessee of its obligations to develop the Lease Premises with reasonable diligence as would a reasonably prudent operator under the same or similar circumstances after oil and gas, or either of them, is first discovered in paying quantities.
- (f) After the end of the Primary Term or at the end of any continuous drilling operations, whichever is later, Lessee shall execute and deliver to Lessor within sixty (60) days a recordable release of this Lease as to all of the Lease Premises and as to all depths underlying the Lease Premises, save and except the land(s) and depth(s) comprising a producing unit or a pooled unit in accordance with the terms of this Paragraph.

## **7. Use of Water.**

- (a) Lessee shall have no right to use any water or groundwater from the existing surface ponds, existing water wells, existing tanks, or rivers, creeks, or springs upon the Lease Premises. Lessee shall not drill any water wells on the Lease Premises without the permission of the Lessor.
- (b) No salt water may be stored in open pits on the Lease Premises. No saltwater disposal wells or injection wells of drilling mud, water, saltwater, or any water, materials or chemicals used in hydraulic fracturing or similar activities shall be allowed upon or below the Lease Premises, except the hydraulic fracturing of wells for the exploration and production of oil and gas from the Lease Premises or lands pooled therewith shall be allowed. Saltwater shall not be used for hydraulic fracturing.

## **8. Surface Operations and Damages.**

### **(a) Drilling Site.**

Any location for a well shall be no closer than Two Hundred Fifty feet (250') from any existing residential structure or like improvement on the Lease Premises,

and shall be in a location depicted on attached Exhibit B. Lessee shall provide to Lessor at least Twenty (20) days written notice of a specified drillsite, before commencing operations thereon. All routes, for production pipelines or flowlines to be connected to any producing well, or wells, on the site shall be placed in locations depicted on Exhibit B. [In the event Lessor, within Ten (10) days after receiving such notice, provides to Lessee a written objection to such drillsite location, Lessor and Lessee shall jointly confer upon a drillsite location to be approved by Lessor which approval shall not be unreasonably withheld by Lessor.

- (b) Lessee shall use as small an area as is reasonably possible, in Lessee's sole discretion, for prudent operations for drilling completion, production and/or reworking operations, which shall have a maximum surface area of Five (5) acres ("Drillsite"), and shall be downsized within Ninety (90) days after the end of the drilling and completion or reworking operations, unless an extension is approved in writing by Lessor, to an amount of acreage necessary to maintain safe operations and maintain security, but not more than One and one half (1.5) acres. If multiple wells are drilled from a single Drillsite, the Drillsite may be increased during drilling operations to contain a maximum of Five (5) acres. Upon completion of such operations, Drillsite shall be downsized as set forth in this subparagraph.

(c) **Off-site Drilling.**

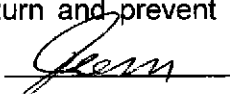
In addition to the other rights granted to Lessee hereunder, Lessor grants to Lessee the right to locate wells on the Lease Premises and to drill in, under, and through the Lease Premises to recover oil, gas, or other liquid and gaseous hydrocarbons from lands not covered by this Lease and not pooled with any lands covered by this Lease (hereinafter referred to as an "Off-Site Well"). Any Off-Site Well will be located on a Drillsite as depicted on Exhibit B. Lessee may not drill an Off-Site Well until such time as Lessee has made a good faith attempt to drill and produce oil or gas from the Lease Premises, or land with which the Lease Premises, or a portion thereof, has been pooled. If an Off-Site Well produces oil, gas or other liquid or gaseous hydrocarbons, Lessee will pay to Lessor, as royalty, instead of the Specified Interest two and one half percent (2.5%) of all oil, gas or other liquid or gaseous hydrocarbons produced and saved from an Off-Site Well, determined and measured in the same manner as royalty on the oil, gas or other liquid or gaseous hydrocarbons produced, saved and sold from the Lease Premises, or land pooled therewith, except that two and one half percent (2.5%) shall be the Specified Interest. If this Lease terminates as to the Lease Premises, or any portion thereof, and if Lessee has made a good faith attempt to drill a well on the Lease Premises, or land pooled therewith, then notwithstanding such termination, Lessee's rights to conduct all operations under the Lease shall continue with respect to any existing Off-Site Well(s).

(d) **Roads and Pipelines.**

Lessee shall provide to Lessor at least Twenty (20) days written notice of any proposed road, or roads, and any proposed pipeline, or pipelines which shall be placed on the Lease Premises in accordance with Exhibit B. In the event Lessor, within Ten (10) days after receiving such notice, provides to Lessee a written objection to such proposed road or pipeline route, Lessor and Lessee shall jointly confer upon a route or routes to be approved by Lessor, which approval shall not be unreasonably withheld by Lessor. All pipelines will be placed in areas of least imminent surface development, and will be buried at least Thirty-Six (36) inches below the surface and backfilled and leveled. All pipelines will be constructed in accordance with governmental laws and regulations. All roads utilized by Lessee will be kept in good repair and appearance at all times by Lessee and will be back dragged and filled as necessary, to ensure passage. All perimeter gates will be kept closed and locked at all times.

(e) **Production Facilities and Appearance.**

All production facilities, tank batteries, separators, fixtures and other surface equipment shall be kept painted and in good repair and appearance. All production facilities will be fenced, upon Lessor's request, and such fences shall be maintained and kept in good repair at all times. All production facilities fenced shall be with material adequate to turn and prevent harm to livestock. In the



event it becomes necessary to cut Lessor's fence or fences, Lessee agrees to properly brace the same prior to cutting and to replace fence or fences in the same condition prior to cutting. Lessee agrees to install in any fence opening an aluminum or other permanent type gate and or cattle guard, and shall deliver to Lessor a key to such gate, or gates. Lessee shall line all pits sufficient to prevent the leaking of any drilling mud or other fluids into the soil. Lessee is not required to line frac pits containing only fresh water. All salt water produced from the Lease Premises shall be removed by Lessee from the Lease Premises. Lessee shall take all reasonable and prudent measures to prevent the pollution of the ground surface, surface water and subsurface water on the Lease Premises. Lessee shall notify Lessor of any incident of pollution within Twenty-Four (24) hours of discovery of the same and shall take prompt action to remediate and clear such pollution. Lessee, Lessee's agents, employees, contractors, licensees, etc. shall not litter or permit litter on the Lease Premises. Lessee shall not store, abandon or otherwise permit to exist on the Lease Premises any equipment or supplies not reasonably necessary for current use in permitted operations nor shall Lessee store, abandon or otherwise permit to exist on the Lease Premises, debris, junk or rubbish. Lessee shall remove within Ninety (90) days after the expiration of this Lease or the termination of any acreage on the Lease Premises, all property and fixtures placed by Lessee on the Lease Premises. Lessee shall timely plug and abandon all wells which have permanently ceased production, at its sole cost and risk in accordance with the Texas Railroad Commission regulations.

**(f) Noise**

Noise levels associated with Lessee's operations on any drillsite utilized for the development of the Pooled Unit shall be kept to a reasonable (in Lessee's sole judgment) minimum, taking into consideration all reasonably available equipment and technology in the oil and gas industry and the residential usage of the Lease Premises.

**(g) Light.**

Lessee shall direct lights on any drillsite or other facility utilized for the development of the Pooled Unit away from the Lease Premises.

**9. Damages, Indemnification, Insurance.**

**(a) Surface Damages.**

Lessee agrees to pay Lessor the reasonable value of the actual damages resulting from Lessee's operations to the surface of the land, fences, roads, tanks, and other structures and improvements, livestock, pasture land, trees and crops on the Lease Premises, or shall pay to Lessor's tenant for any damage to any of the foregoing belonging to such tenant. Lessee further agrees to restore the surface of the Lease Premises as near as reasonably practical to its original condition after the completion of each operation. The reasonable value for actual damages to Lessor's surface caused by drilling operations shall be One Hundred Thousand Dollars (\$100,000.00) for the construction and use of the Drillsite depicted in Exhibit B. For each well drilled on a Drillsite, Lessee shall pay Ten Thousand Dollars (\$10,000.00) prior to the commencement of any operations for said drilling as damages. The foregoing amounts shall not be considered payment for any damages which are in excess of the type normally associated with the stated activity.

**(b) Indemnification.**

Lessee, its successors and assigns, agree to release, indemnify, and hold harmless Lessor and Lessor's partners, the affiliates of their partners, its contractors, guests, invitees, and any of their officers, managers, directors, heirs, successors, assigns, agents, representatives and employees or the affiliates of their (collectively, the "Indemnified Parties"), from any and all costs, losses, claims, violations, judgments, settlements, and damages of every kind and character to real property, personal property or persons (including, without limitation, claims involving environmental laws and regulations, pollution, contamination of ground



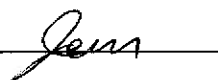
waters, personal injury and death), lawsuits and/or causes of action (including reasonable attorneys' fees, expert fees and court costs) (collectively "Claims"), which may grow out of, arise from, or in any manner be connected with the activities of Lessee and Lessee's successors, assigns, agents, invitees, guests, contractors, oil or gas purchasers, oil or gas transporters, servants, employees, and those in contractual privity therewith, on the Lease Premises or lands pooled therewith, including, without limitation, any Claims arising from loss of subsurface support of the Lease Premises and any Claims arising from the production or transportation of oil or gas produced, saved, treated, stored or otherwise from the Lease Premises or lands pooled therewith, and for the proper plugging, removal and abandonment of all well(s) and equipment owned and operated by Lessee on the Lease Premises or lands pooled therewith. For purposes of this paragraph and the ENVIRONMENTAL INDEMNITY paragraph herein, environmental laws and regulations include, without limitation, the federal Oil Pollution Act (OPA), the federal Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), the federal Resource Conservation and Recovery Act (RCRA), the federal Clean Water Act, the Texas Solid Waste Disposal Act (TSWDA), the Texas Water Code (TWC), and the federal, state and local rules, regulations, ordinances, orders and governmental directives implementing such statutes. Lessee's obligations in this Paragraph 9 shall survive the termination of this Lease.

**10. Environmental Indemnity.**

Lessee shall use the highest degree of care and all reasonable safeguards to prevent contamination or pollution of any environmental medium including soil, surface waters, groundwater, sediments, and surface or subsurface strata, ambient air or any other environmental medium in, on, or under the Lease Premises, by any waste, pollutant or contaminant. Lessee shall not bring or permit to remain on the Lease Premises any asbestos containing materials, explosives, toxic materials, or substances regulated as hazardous wastes, hazardous materials, and hazardous substances (as the term "Hazardous Substance" is defined in the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), 42 U.S.C Sections 9601, et seq.), or toxic substances under any federal, state, or local law or regulation ("Hazardous Materials"), except ordinary products commonly used in connection with oil and gas exploration and development operations and stored in the usual manner and quantities. LESSEE SHALL INDEMNIFY, HOLD HARMLESS AND DEFEND LESSOR AND LESSOR'S PARTNERS, THE AFFILIATES OF ITS PARTNERS, CONTRACTORS, GUESTS, INVITEES, AND ANY OF THEIR OFFICERS, MANAGERS, DIRECTORS, HEIRS, SUCCESSORS, ASSIGNS, AGENTS, REPRESENTATIVES AND EMPLOYEES FROM AND AGAINST ANY CLAIMS, DAMAGES, JUDGMENTS, PENALTIES, LIABILITIES, AND COSTS (INCLUDING REASONABLE ATTORNEYS' FEES AND COURT COSTS) CAUSED BY OR ARISING OUT OF (1) A VIOLATION OF THE FOREGOING PROHIBITION OR (2) THE PRESENCE, RELEASE, OR DISPOSAL OF ANY HAZARDOUS MATERIALS ON, UNDER, OR ABOUT THE LEASE PREMISES DURING LESSEE'S OCCUPANCY OR CONTROL OF THE PROPERTY CAUSED BY LESSEE. LESSEE SHALL CLEAN UP, REMOVE, REMEDY AND REPAIR ANY SOIL OR GROUND WATER CONTAMINATION AND DAMAGE CAUSED BY THE PRESENCE OR RELEASE OF ANY HAZARDOUS MATERIALS IN, ON, UNDER, OR ABOUT THE LEASE PREMISES CAUSED BY LESSEE DURING LESSEE'S OCCUPANCY OF THE PROPERTY IN CONFORMANCE WITH THE REQUIREMENTS OF APPLICABLE LAW. THIS INDEMNIFICATION AND ASSUMPTION SHALL APPLY, BUT IS NOT LIMITED TO LIABILITY FOR RESPONSE ACTIONS UNDERTAKEN PURSUANT TO CERCLA OR ANY OTHER ENVIRONMENTAL LAW OR REGULATION. LESSEE SHALL IMMEDIATELY GIVE LESSOR WRITTEN NOTICE OF ANY BREACH OR SUSPECTED BREACH OF THIS PARAGRAPH, UPON LEARNING OF THE PRESENCE OF ANY HAZARDOUS MATERIALS, OR UPON RECEIVING A NOTICE FROM ANY GOVERNMENTAL AGENCY PERTAINING TO HAZARDOUS MATERIALS WHICH MAY AFFECT THE PROPERTY. THE OBLIGATIONS OF LESSEE HEREUNDER SHALL SURVIVE THE EXPIRATION OR EARLIER TERMINATION, FOR ANY REASON, OF THIS LEASE.

**11. Limitation on Liability.**

NOTWITHSTANDING ANYTHING ELSE CONTAINED HEREIN, IN NO EVENT SHALL LESSEE, ITS AFFILIATES, OR THEIR RESPECTIVE AGENTS, THEIR





RESPECTIVE PARTNERS, MEMBERS, OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS AND THEIR RESPECTIVE SUCCESSORS AND ASSIGNS INDEMNIFY OR BE LIABLE FOR ANY DAMAGES, INJURIES, CLAIMS, JUDGEMENTS, PENALTIES, LIABILITIES, OR COSTS CAUSED BY OR ARISING OUT OF THE NEGLIGENCE (BUT ONLY TO THE EXTENT SUCH CAUSED BY SUCH NEGLIGENCE) OR WILLFUL MISCONDUCT OF LESSOR, ITS TENANTS AND INVITEES OR THEIR RESPECTIVE ITS PARTNERS, MEMBERS, OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS AND THEIR RESPECTIVE SUCCESSORS AND ASSIGNS. THE PROVISIONS AND OBLIGATIONS CONTAINED IN THIS PARAGRAPH SHALL SURVIVE THE TERMINATION OR EXPIRATION OF THIS LEASE.

**12. Insurance.**

Prior to commencement of drilling operations and at all times thereafter while this Lease is in force and effect, Lessee shall acquire and maintain insurance, or equivalent self-insurance, covering all of its operations on the Lease Premises or lands pooled therewith, including but not limited to any work or services performed by Lessee or on its behalf by Lessee's successors, assigns, agents, contractors, oil or gas purchasers, oil or gas transporters, servants, employees, and those in contractual privity therewith ("Lessee"), naming Lessor and entities designated by Lessor as additional insured(s). The insurance policies shall include coverage for comprehensive general liability, bodily injury and property damage and blowout and loss of well coverage. The coverage shall be in the minimum amount of \$5,000,000 with at least \$20,000,000 in umbrella policy coverage. Upon written request, Lessee shall furnish a certificate from the issuing insurance company or companies showing the insurance coverage described herein, or equivalent ability to self-insure. Lessee shall also carry worker's compensation insurance as required by law. Lessee shall require contractors to carry insurance coverage in the minimum amount of \$5,000,000.00 with at least \$20,000,000 in umbrella policy coverage on its employees, agents, representatives, and those in contractual privity with Lessee operating on the Lease Premises.

**13. Force Majeure**

Whenever as a result of war, acts of God, or a governmental law, order, or regulation (including but not limited to any law, order or regulation pertaining to oil and gas operations or conservation), Lessee, despite its good faith effort, is prevented from exercising any rights or performing any obligations under this Lease, and this Lease is not being maintained in force and effect by other provisions herein and cannot be maintained in force and effect by payment of shut-in royalties, this Lease shall remain in full force and effect for the period of such prevention provided that Lessee acts in good faith using best efforts overcome the cause that is preventing Lessee from exercising such right or performing such obligations. This provision shall not operate to extend the Lease for more than two (2) years cumulative and shall not release Lessee from paying the following, where applicable: royalties on actual production, compensatory royalties that may be due by reason of violations of any express or implied covenants and shut-in payments. In order for Lessee to claim the benefit of this Paragraph, Lessee must advise Lessor in writing within thirty (30) days of the date Lessee claims any obligation is suspended, setting forth in reasonable detail such factual and legal basis Lessee relies upon to make the provisions of this Paragraph applicable and Lessee must make every good faith attempt using its best efforts to cure any force majeure event on an ongoing basis during such period of force majeure as claimed by Lessee.

**14. Consent to Assign.**

Lessor is granting rights to Lessee that Lessor would not grant to others. Therefore, prior written approval of Lessor is required for any total or partial assignment, transfer, conveyance, or sublease of this Lease or any interest created by this Lease to a party (other than an affiliate of Lessee, Chesapeake Energy Corporation or its affiliates), which approval shall not be unreasonably withheld or delayed. All assignments and subleases must require the assignee or sublessee to assume all of Lessee obligations under this Lease which occur or accrue after the effective date of such assignment, but Lessee will remain liable for all of its obligations which occurred or accrued prior to such effective date or which pertain to interests not assigned by Lessee.

**15. Audit.**

Lessor shall have the right during normal business hours, but no more than once a year, and upon reasonable notice, to inspect the records of DDJET Limited LLP, whose address is 222 Benmar, Houston, Texas 77060, in its capacity as Lessee of the Lease,

or such other company acting as operator of the Lease, relating to all of Lessee's operations and the production and sale of oil and gas, and the payment of royalties attributable to oil and gas produced and sold from or attributable to the Lease.

**16. Proportionate Reduction.**

It is expressly agreed that if Lessor owns an interest in the oil and gas in, on, and under the Lease Premises less than the entire fee simple estate, whether or not this Lease purports to cover the whole or a fractional interest, the royalties, bonus, overriding royalties and shut-royalties to be paid to Lessor shall be reduced in the proportion that Lessor's interest bears to the whole and undivided fee and in accordance with the nature of the estate of which Lessor is seized. To the extent any bonus, royalty or other payment attributable to the mineral interest covered by this Lease is paid or payable to someone other than Lessor, such bonus, royalty or other payment shall be deducted from the corresponding amount otherwise payable to Lessor hereunder. If title investigation for Lessee results in a reduction or increase of bonus consideration payable to Lessor, the resulting bonus payment shall be deemed for all purposes to be paid to Lessor on the date of Lessee's check (in substitution for any pre-delivered draft) which is delivered to Lessor or mailed to Lessor, before its due date, at the last known address given to Lessee by Lessor. Should any one or more of the parties named above as Lessor fail to execute this Lease, it shall nevertheless be binding upon the party or parties executing it.

**17. Legal Compliance.**

Lessee agrees to be bound by and fully comply with all applicable laws, rules, regulations, statutes, and ordinances of every kind in its operations and the operations of its agents, employees, representatives, and those in contractual privity with Lessee concerning the Lease Premises.

**18. No Warranty**

Notwithstanding any provisions to the contrary, this Lease is made without any warranties or representations of title, ownership or control of the Lease Premises, either express or implied, and without recourse against Lessor, including but not limited to, the repayment of any bonus money paid by Lessee to Lessor.

**19. No Limitations of Implied Covenants.**

Nothing in this Lease shall be construed to limit, impair, reduce, or otherwise negate any of the common law duties imposed upon Lessee concerning the Lease Premises or lands pooled therewith.

**20. Protection from Drainage.**

Lessee shall adequately protect the oil and gas in and under the Lease Premises from drainage by wells on adjoining or adjacent lands or leases at all times. Lessee shall drill as many wells as the facts justify and to the depth or depths necessary for effective protection against drainage from said adjacent land or leases subject to the provisions herein. Neither the bonus, annual delay rentals, royalties or shut-in gas royalty paid or to be paid hereunder shall relieve Lessee from the obligations herein expressed.

**21. Time.**

Time is of the essence concerning all provisions of this Lease, as well as all rights, duties and obligations of Lessee under this Lease.

**22. Waiver.**

No waiver of any of the provisions of this Lease shall be deemed or constitute a waiver of any other provision of this Lease, nor shall such waiver constitute a continuing waiver unless otherwise expressly provided. Likewise, the failure of Lessor to enforce any provision of this Lease shall not be deemed nor shall constitute a waiver of the right of Lessor to enforce such provision.

**23. Law and Venue.**

The rights and duties of the parties under this Lease shall be governed by the laws of the State of Texas. Venue for any action to enforce Lessee's obligations hereunder shall lie in Tarrant County, Texas.

**24. Headings.**

The paragraph headings in this Lease are for convenience only, and shall not be considered in interpretation or construction of any provision of this Lease.

**25. Counterparts.**

This Lease may be executed in multiple counterparts, all of which shall be deemed to constitute one instrument.

**26. Memorandum of Lease.**

Both parties agree that at Lessee's option, a Memorandum of Lease may be filed of record in the county in which the Lease Premises is located, designating the Primary Term and legal description. Duplicate copies of this Lease are in the possession of Lessor and Lessee where the same may be examined by any person having a lawful right or legitimate interest therein.

**27. Railroad Commission Reports.**

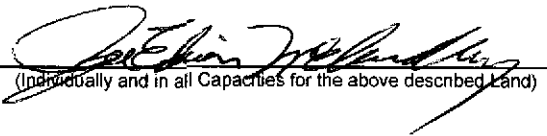
Upon written request, but not more than once per year, DDJET Limited LLP, as Lessee of the Lease, or such other company acting as operator of the Lease, shall provide Lessor with copies of all reports relating to the Lease Premises filed with the Railroad Commission of Texas within Forty-Five (45) days of such request.

**28. Seismic Operations.**

Lessor shall allow and permit Lessee to conduct seismic operations on the Lease Premises and agrees to sign a seismic permit when requested by Lessee. If Lessee conducts a seismic survey, Lessee agrees to pay Lessor, if Lessor is the owner of the surface estate, Fifteen and no/100 Dollars (\$15.00) per acre for having granted in advance the right for Lessee to conduct seismic operations on, over and across the surface of the Lease Premises. The amount paid for this consent does not include any payments which may be due Lessor, as the surface estate owner, for extraordinary damages not known on this date.

**For convenience, this instrument may be executed in multiple counterparts and Lessor and Lessee agree that for recording purposes their respective signature page and acknowledgments may be removed from their respective counterpart and attached to a single Paid-Up Oil and Gas Lease and for all purposes and obligations hereunder this shall be considered as one Paid-Up Oil and Gas Lease.**

EXECUTED the date above written.

By:  By: \_\_\_\_\_  
(Individually and in all Capacities for the above described Land) (Individually and in all Capacities for the above described Land)

Name: Joe Edwin McAnally Name: \_\_\_\_\_

Title: Lessor Title: \_\_\_\_\_

Individual Acknowledgment

STATE OF TEXAS  
COUNTY OF Tarrant

BEFORE ME, on this day personally appeared Joe Edwin McAnally, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he/she executed the same for purposes and considerations therein expressed, and in the capacity therein stated.

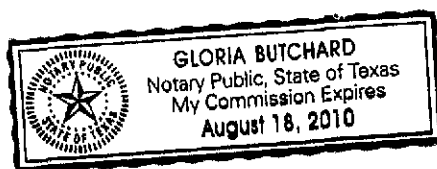
GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 8 day of October, 2008.

Notary Public in and for the State of Texas.

Signature of Notary: Gloria Butchard

Print Name of Notary Here: Gloria Butchard

SEAL: My Commission Expires: August 18, 2010



Individual Acknowledgment

STATE OF TEXAS  
COUNTY OF Tarrant

BEFORE ME, on this day personally appeared \_\_\_\_\_, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he/she executed the same for purposes and considerations therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the \_\_\_\_\_ day of \_\_\_\_\_, 2008.

Notary Public in and for the State of Texas.

Signature of Notary: \_\_\_\_\_

Print Name of Notary Here: \_\_\_\_\_

SEAL: My Commission Expires: \_\_\_\_\_

## Exhibit "A"

### Land Description

26.8775 acres, more or less, Tarrant County, Texas, described as the following two (2) tracts of land, to-wit:

Tract 1: 2 acres, more or less, being situated in the Hardin Weatherford Survey, A-1650, Tarrant County, Texas, and being further described in that Warranty Deed dated October 8, 1937, from H.H. Chapman and wife, Laura E. Chapman to W. Ray Thomas and wife, Edna Fay Thomas, recorded in Volume 1354, Page 17 of the Official Records of Tarrant County, Texas.

Tract 2: 166 acres, more or less, being situated in the Hardin Weatherford Survey, A-1650 and the E.W. Clark Survey, A-289 Tarrant County, Texas, and being further described in that Warranty Deed dated August 23, 1955, from Elkanah Chapman and wife, Ethel Chapman, William Aaron Monroe Chapman and wife, Gail Chapman, Stonewall Jackson Chapman and wife, Mattie Chapman, Ira Brakefield Chapman and wife, Edithe Chapman to W. Ray Thomas and wife, Edna Fay Thomas, recorded in Volume 2900, Page 447 of the Official Records of Tarrant County, Texas.

Save and Except the following:

45.481 acres, more or less, being situated in the Hardin Weatherford Survey, A-1650 and the E.W. Clark Survey, A-289, Tarrant County, Texas, and being further described in that Warranty Deed dated October 13, 1977, from W. Ray Thomas and wife, Edna Fay Thomas to Robert James Corporation, recorded in Volume 6343, Page 77 of the Official Records of Tarrant County, Texas.

91.53 acres, more or less, being situated in the Hardin Weatherford Survey, A-1650 and the E.W. Clark Survey, A-289, Tarrant County, Texas, and being further described in that Warranty Deed with Vendor's Lien dated July 27, 1979, from W. Ray Thomas and wife, Edna Fay Thomas, W.R. Thomas, Jr., by Taylor Gandy, Attorney in Fact and Mary Louise McAnally to Foster Financial Corporation, recorded in Volume 6780, Page 2347 of the Official Records of Tarrant County, Texas.

1.9571 acres, more or less, being situated in the Hardin Weatherford Survey, A-1650, Tarrant County, Texas, and being further described in that Warranty Deed dated March 29, 1991, from W.R. Thomas, Jr., as Successor Trustee of the Trusts created under the Will of W.R. Thomas, Sr. and Edna Chapman Thomas to Robert E. Chapman and wife, Martha J. Chapman, recorded in Volume 10240, Page 269 of the Official Records of Tarrant County, Texas

0.1544 acres, more or less, being situated in the Hardin Weatherford Survey, A-1650, Tarrant County, Texas, and being further described in that Warranty Deed dated November 26, 1991, from Edna Chapman Thomas, acting herein by and through her duly authorized Attorney in Fact, Joe Edwin McAnally and W.R. Thomas, Jr., as Successor Trustee under the Will of W.R. Thomas, Sr. to City of Watauga, recorded in Volume 10495, Page 93 of the Official Records of Tarrant County, Texas

2 acres, more or less, being situated in the Hardin Weatherford Survey, A-1650, Tarrant County, Texas, and being further described in that Warranty Deed dated October 8, 1937, from H.H. Chapman and wife, Laura E. Chapman to W. Ray Thomas and wife, Edna Fay Thomas, recorded in Volume 1354, Page 17 of the Official Records of Tarrant County, Texas.

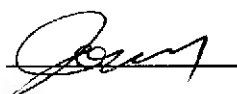


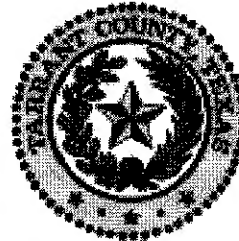
**Exhibit "B"**

**Drilling Sites**

Map to be attached upon final agreement.

After Recording Return to:  
HARDING COMPANY  
13465 MIDWAY ROAD, STE. 400  
DALLAS, TEXAS 75244  
PHONE (214) 361-4292  
FAX (214) 750-7351

A handwritten signature in black ink, appearing to be "JRM", written over a horizontal line.



PETROCASA ENERGY  
9157 STONE CREEK PLACE

DALLAS TX 75243

Submitter: PETROCASA ENERGY-INC

---

SUZANNE HENDERSON  
TARRANT COUNTY CLERK  
TARRANT COUNTY COURTHOUSE  
100 WEST WEATHERFORD  
FORT WORTH, TX 76196-0401

**DO NOT DESTROY**  
**WARNING - THIS IS PART OF THE OFFICIAL RECORD.**

Filed For Registration: 11/04/2008 11:56 AM  
Instrument #: D208415132  
LSE 15 PGS \$68.00

By: \_\_\_\_\_



**D208415132**

**ANY PROVISION WHICH RESTRICTS THE SALE, RENTAL OR USE  
OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR  
RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.**

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